RBI Crackdown: New Rules on Dark Patterns and Forced Bundling

The Reserve Bank of India (RBI) has released the **Draft (Commercial Banks – Responsible Business Conduct) Amendment Directions, 2026**, marking a decisive move from "Buyer Beware" to **"Seller Responsible."** These regulations, proposed to take effect on **July 1, 2026**, establish a rigorous framework for the advertising, marketing, and sale of both in-house and third-party financial products.

1. Eliminating "Dark Patterns" in Digital UX

The RBI has identified and explicitly banned **11 specific dark patterns**—manipulative design tactics used to trick users into unintended financial decisions. These include:

- **Basket Sneaking:** Automatically adding insurance or add-on products to a "cart" without explicit opt-in.
- **False Urgency:** Using fake countdown timers (e.g., "Offer ends in 10 minutes!") to pressure immediate purchases.
- **Confirm Shaming:** Using guilt-tripping language (e.g., "No, I prefer being unprotected") when a user declines an upsell.
- **Drip Pricing:** Hiding processing fees or charges until the very final stage of a transaction.
- **Interface Interference:** Highlighting "Accept" buttons in bright colors while hiding "Decline" options in faint grey text.

2. Strict Prohibition on Forced Bundling

Banks are now barred from **Compulsory Bundling**—making a primary service (like a home loan) conditional on the purchase of a secondary product (like life insurance).

- **Exceptions:** Bundling is only permitted if the package is **voluntary** or provided on a **complimentary** basis (zero additional cost).
- **Separate Consent:** Banks must obtain individual, recorded consent for every product sold; "clubbing" multiple consents into a single checkbox is now prohibited.

3. The "30-Day Verification" & Compensation

The amendment introduces a revolutionary "cooling-off" and accountability mechanism:

- **Independent Feedback:** Within **30 days** of a sale, an independent department (not the sales team) must contact the customer to ensure they understood the product risks.
- **Full Refunds:** If mis-selling is established, banks are mandated to provide a **100% refund** of all premiums/fees paid.
- **Loss Compensation:** Banks must compensate customers for any financial loss arising from the mis-sale, shifting the entire financial risk back to the institution.

Operational Impact for Organizations

Technical Debt: Compliance must be "coded in." Digital onboarding flows now require mandatory **Suitability Gates**—AI-driven checks that block a sale if a product (e.g., a high-risk ULIP) is fundamentally unsuitable for a customer's profile (e.g., a low-income pensioner).

KPI Overhaul: Existing incentive models focused on "cross-sell ratios" must be scrapped. Regulators will now monitor **Incentive Reporting Mechanisms** to ensure bank employees are not rewarded for "pushing" unsuitable products.

Third-Party Vigilance: Banks must maintain an updated, public list of all **Direct Selling Agents (DSAs)**. These agents must be clearly distinguishable from bank employees to prevent "brand-lending" for third-party sales. Read more